Algonquin Forestry Authority

Ninth Annual Report
1983 - 1984

85-0509/

Ministry of
Natural
Resources

TO HIS HONOUR
The Lieutenant-Governor
of the Province of Ontario

MAY IT PLEASE YOUR HONOUR
The undersigned begs respectfully to present your Honour the Annual Report of the Algonquin Forestry Authority for the year beginning April 1, 1983, and ending March 31, 1984.

ALAN POPE
Minister

Algonquin
Forestry
Authority

Honourable Alan Pope
Minister of Natural Resources

Honourable Sir:

I have the honour to submit to you the Annual Report of the Algonquin Forestry Authority for the year beginning April 1, 1983, and ending March 31, 1984.

B.A. Reynolds
Chairman

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Chairman's Foreward

The highlight of Authority activity during the year was the newly assumed Forest Management Undertaking. This was a major step in the evolution of the Authority to a higher level of responsibility. This expression of confidence by the Minister was facilitated by the co-operative attitude of the Ministry staff which is gratefully acknowledged.

The blowdown of 5,000 hectares of prime timber had a profound impact on all Authority activities requiring rapid re-adjustments by staff, contractors, industry clients and the Ministry of Natural Resources. The successful initial results of the salvage operation reflect the vigour and dedication with which those people addressed the task. Completion of the salvage within the limited time frame prior to the onset of decay is assured. The impact of the salvage on financial position with net income of $297,000 is welcome after the loss of 1982 and the weak improvement of 1983. This level of performance has restored the balance sheet so that similar results expected in 1984 can be entirely re-invested in plant.

It was timely with the Authority approaching its tenth year of operation to have activities scrutinized by the Public Accounts Committee of the Legislature. The Authority welcomes such objective reviews in an ever changing environment.

The Authority looks forward to the new year's experience with the innovative first move towards self-funding of forest management through investment of stumpage revenue. This form of funding will further bind the integration of logging and silviculture to the future benefit of the forest resource.

B.A. Reynolds
Chairman

Board of Directors

Chairman:	B.A. Reynolds, Huntsville
Vice Chairman:	F.K. Roberts, Toronto
Directors:	W.G. Beatty, Gravenhurst J. Flavelle, Pembroke G. Maeck, South River R. Milne, Sundridge F. Parrott, Huntsville J. Simons, St. Catharines G.E. Wallace, North Bay K. Wilson, Boulter D.G. Wolfe, Eganville

Officers

General Manager, I.D. Bird, R.P.F.
Secretary-Treasurer, M.R. Green, B.A., C.A., R.I.A.

Office

Algonquin Forestry Authority
P.O. Box 1198
Huntsville, Ontario
P0A 1K0

Telephone: (705) 789-9647
Telex: 06-875530

Introduction

Logging originated around 1840 in the area which subsequently became Algonquin Park. Logging, one of the multiple uses to which the Park was dedicated in 1893, has continued to the present.

The Ontario Government established the Algonquin Forestry Authority on January 4, 1975, in response to public concern for the most beneficial means of maintaining a multiple-use approach in Algonquin Provincial Park.

The Authority operates in conformity with the Algonquin Provincial Park Master Plan and the Forest Management Plan for Algonquin Provincial Park, successfully applying the principles of integrated resource management. The public interest in the quality of the Park for recreation is balanced with the need to maintain an adequate supply of logs to mills dependent on Park timber (1).

The forest industry supplied by Algonquin Park timber comprises eleven sawmills, four veneer mills, one pole plant, one pulp mill and one match splint mill which are wholly or partly dependent on this vital source of raw material. Direct contribution by Algonquin logging and primary manufacturing to the Ontario economy was $42 millions in terms of 1984 value added (2).

GOALS AND OBJECTIVES

The goal of forest management in Algonquin Park is:

> To produce a continuous supply of forest products to the forest industry of the region in harmony with other uses and in a way that preserves other values.

To accomplish this goal, the following objectives have been established:

1. To manage and upgrade the quality of the forest to insure the long term needs of local industry.
2. To effectively utilize the range of products that the forest will yield.
3. To maintain a forest cover which satisfies the requirements of regeneration, aesthetics and preservation of the diverse vegetation types.
4. To preserve and protect recreational values, fish and wildlife habitat, soil and water resources.

STRATEGIES

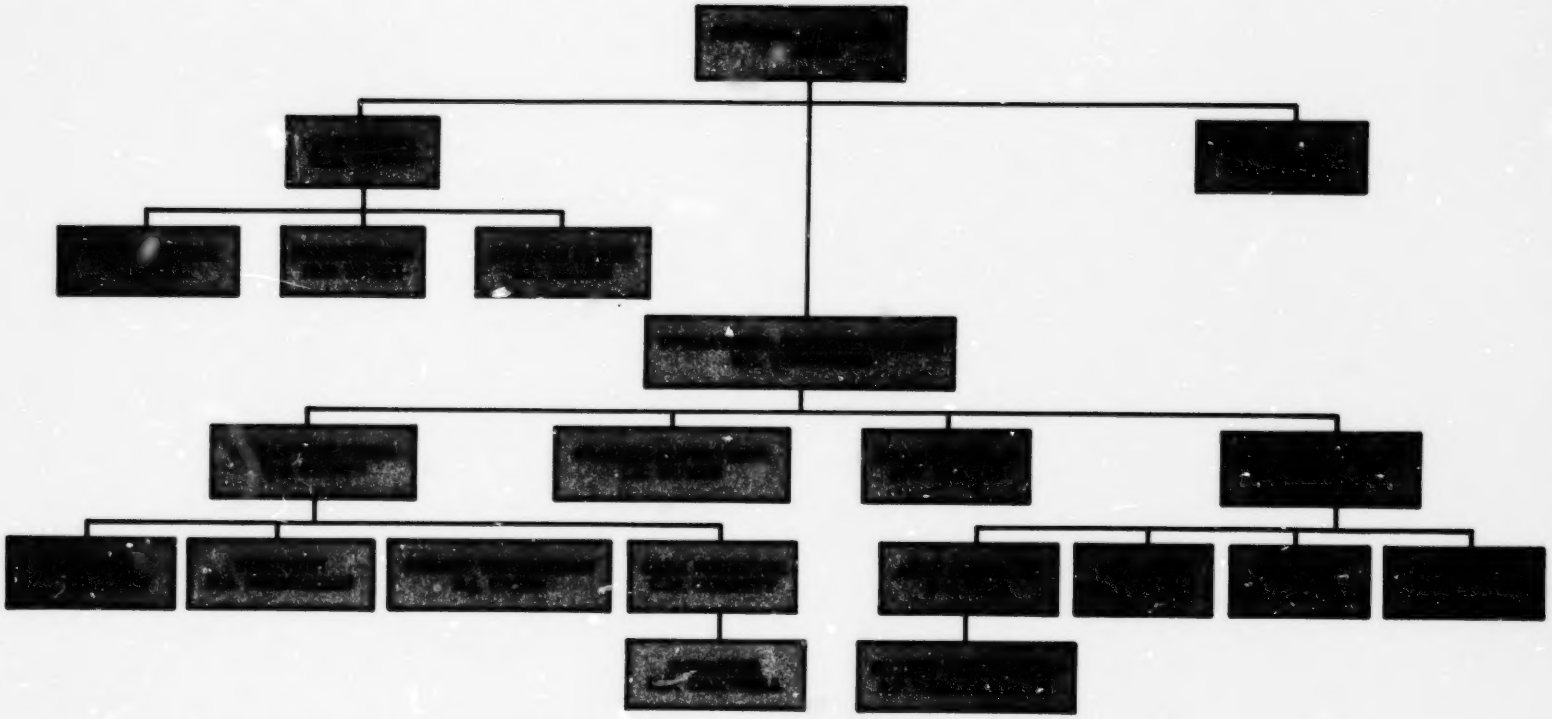
The Authority meets the first two objectives by contracting with local loggers and with mill operators for production and delivery of forest products to the seventeen dependent mills. Logging operations are fully integrated to generate a variety of forest products. Aggressive marketing practices are used in disposing of surplus low grade products.

The second two objectives are met by sound planning and controlled implementation within regulated standards Silvicultural prescriptions specify various degrees of partial cutting in the principal working groups. Residual stands will provide subsequent harvests and seed for natural regeneration. Logging impact is minimized by buffer zones along lakeshores, watercourses and other sensitive features. Road location and construction are done discreetly to facilitate natural and assisted rehabilitation of trail and stream crossings after use.

(1) Forest Management Plan, Algonquin Provincial Park
Algonquin Forestry Authority, 1980

(2) The Forest Industry in the Economy of Ontario
Ministry of Natural Resources, 1981

ALGONQUIN FORESTRY AUTHORITY
ORGANIZATION CHART



Product Distribution
(Cubic Metres)

PRODUCT	ANNUAL AVAILABLE HARVEST	ANNUAL ALLOCATION	SURPLUS AVAILABLE	REGULAR HARVEST 1983-84	SALVAGE 1983-84	TOTAL HARVEST 1983-84	HARVEST 1982-83
Hardwood Veneer Logs	12,740	12,740		8,480	80	8,560	12,160
Hardwood Sawlogs	144,330	136,770	7,560	97,900	460	98,360	75,480
Hemlock Sawlogs	59,430	41,840	17,590	29,320		29,320	30,860
Pine & Spruce Sawlogs	90,600	90,610		84,810	49,680	134,490	113,380
Poplar Splint Logs	4,620	4,620		2,780	40	2,820	4,450
Red Pine Poles	7,500	7,500		7,150	3,430	10,580	6,260
Pulpwood (Includes Firewood)	268,850	127,430	141,420	98,360	26,720	125,080	122,860
TOTAL	588,070	421,510	166,570	328,800	80,410	409,210	365,450

RESULTS OF OPERATIONS

Total sales of $8,803,808 is an increase of 30% over 1982-83 of which $2,137,000 results from extensive salvage operations in pine stands.

This abnormal situation generated a net income of $297,051 which compares with $3,430 of net income in the more normal year of 1982-83.

Expenditures exceeded revenues of $997,287 in the forest management undertaking resulting in a loss of $16,188.

FINANCIAL POSITION

Working capital increased by $266,105 in 1983-84 with the high income level experienced. Accounts Receivable of $1,053,262 and inventory of $62,250 are both higher than normal levels at year end and reflect the extensive salvage operations in process at March 31.

LOGGING OPERATIONS

Harvest was up from last year by 43,760 m3 or 11.9% to 409,210 m3. The principal factor responsible for the increase was blowdown salvage mainly of pine and spruce sawlogs. Cutting capacity was expanded in an effort to ensure completion of salvage prior to damage from insects and fungi expected in late summer 1984. The increase in cutting capacity was offset by a severe winter with extreme snow-fall starting in early November which forced curtailment of operations in early winter.

BLOWDOWN SALVAGE

A severe windstorm on August 8, 1983 blew down standing timber to various degrees on an area of 5,000 hectares south of the Petawawa River from Lake Traverse south-easterly 35 kilometres to the Park boundary.

Construction of a 40 man logging camp strategically located adjacent to the blowdown area was undertaken immediately and salvage operations commenced September 12, 1983. The early snowfall curtailed operations due to difficulty in locating and extracting down trees. Salvage continued on a reduced scale through the winter to complete the area accessible only by winter road. Hauling continued through the period of load restriction thanks to the Military allowing passage by an alternate route through C.F. Base, Petawawa.

At the year-end 2,000 ha. of the most severe blowdown had been covered, yielding 80,410 m3 of salvaged timber. Contractors are being engaged to complete the salvage by the end of July 1984.

SALES

Softwood lumber markets remained strong throughout the year stimulating softwood sawlog demand sufficiently to absorb the entire salvage volume. Modest strengthening of hardwood lumber markets late in the year was responsible for the hardwood sawlog production exceeding last year's level by 22,880 m3 or 30%. Decline in sales of hardwood veneer logs to 8,560 m3 or 30% under last year's level is a reflection of forest stand conditions rather than a market situation. The increase in pole sales by 69% to 10, 580 m3 is a result of blowdown salvage.

OPERATIONS PLANNING AND CONTROL

Operational cruising covered 19,000 ha adding data to the bank being accumulated for preparation of a five year operating plan to take effect in 1985.

Survey of 1982-83 cut-over mapped 12,000 ha. Yield was 30.6 m3/ha compared with 30.4 m3/ha the previous year.

FOREST MANAGEMENT

The Minister of Natural Resources announced in July 1982 the "Transfer of responsibility for forest management in Algonquin Provincial Park to the Algonquin Forestry Authority beginning April 1, 1983." The transfer was effected on schedule under an interim agreement pending negotiation of a Forest Management Agreement under the Crown Timber Act. The transfer has effectively integrated the harvesting and product distribution activities of the Authority with tree marking, scaling, silvicultural projects and maintenance of multi-use roads. The Ministry of Natural Resources retains its directional, advisory and regulatory roles.

Tree marking for partial cutting covered 15,000 ha of which 700 ha were contracted out.

Domestic scaling arrangements provided for Crown scaling of 390,000 m3 of which 67% was measured by volume and 33% was weighed.

Partial cutting prescriptions being applied are generally successful in providing adequate stocking of natural regeneration. Isolated exceptions have however been observed on pine and pine-mixed wood sites. A survey of regeneration on these cut-over sites was undertaken to determine the extent of artificial treatment required. The survey covered 500 ha before an early November snowfall forced suspension for the season.

Surface maintenance of multi-use roads covered 200 km of which 80 km also received mechanical brush control. Calcium chloride dust abatement treatment was done on 80 km. Fifteen thousand cubic metres of crushed gravel were prepared and stock-piled for re-surfacing needs. Spring flooding required extensive emergency repairs to relieve a number of marooned campers and anglers. Early and continuing snowfall extended the snow-plowing and sanding season. These factors were responsible for the deficit in the Forest Management Undertaking.

CONSTRUCTION AND REPAIR

Capital construction amounted to 6 km of clearing and forming and 10 km of gravel surfacing mainly on the Shirley Lake Road which now extends to 52 km.

A short by-pass of ½ km was built to divert logging trucks away from a tourist lodge on Kingscote Lake.

Improvements were made on 18 km of existing roads.

REHABILITATION

Temporary winter road crossings over portages Dickson Lake to Bonfield Lake and Rain Lake to McCraney Lake were rehabilitated to natural conditions.

Rehabilitation was completed at the site of a former logging camp on Radiant Lake.

Restoration of the Basin Depot Schoolhouse was started. This is the oldest standing building in Algonquin Park having been built in 1892. It is located on a designated historic site. The project is a co-operative venture of the Authority and the forest industry companies it supplies.

PERSONNEL

Four new regular employees joined the Authority to direct the newly assigned forest management activities:

David Barras - Road Foreman
Roy Campbell - Forester
James Dunne - Scaling Supervisor
Peter Vanderkraan - Forest Technician

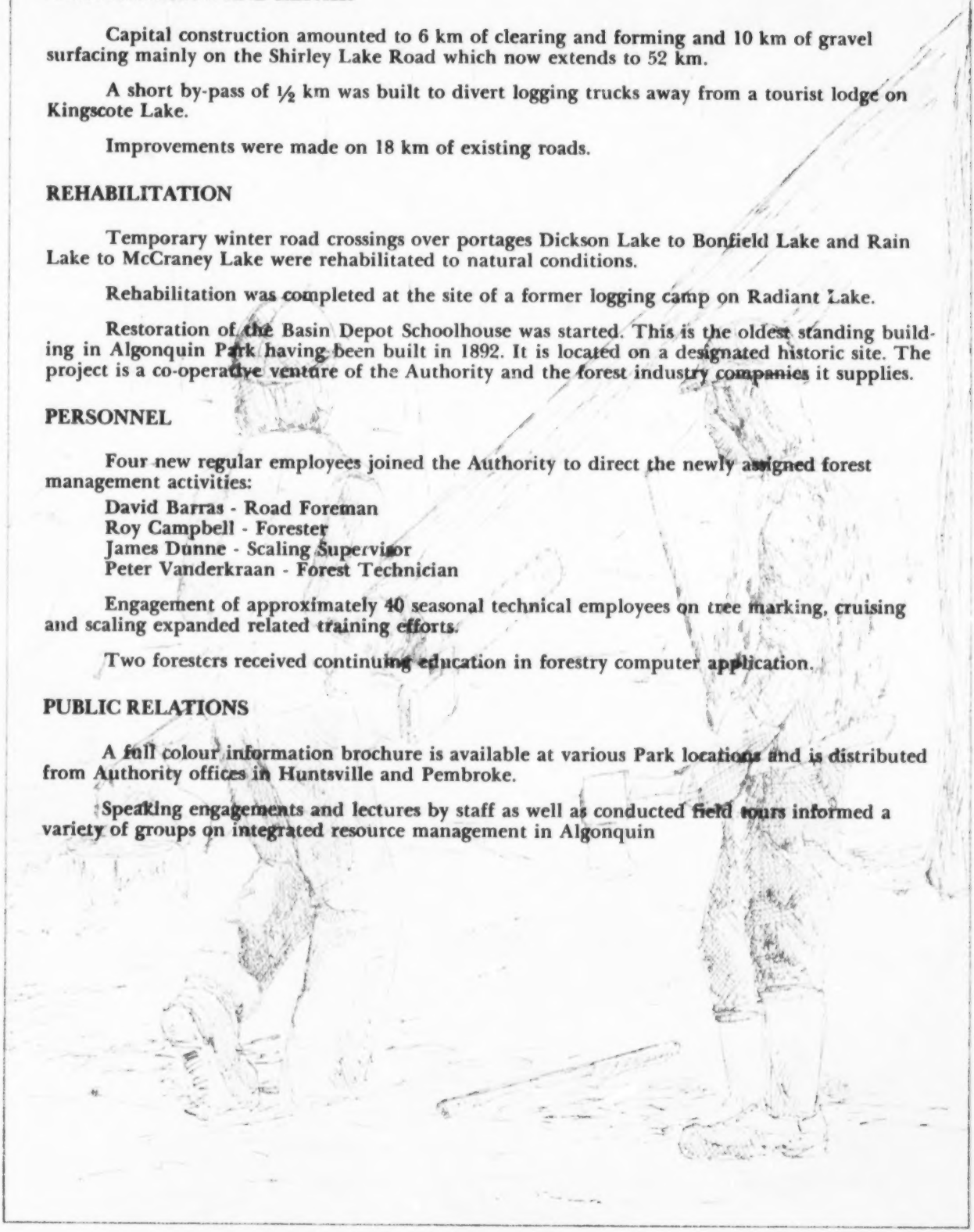
Engagement of approximately 40 seasonal technical employees on tree marking, cruising and scaling expanded related training efforts.

Two foresters received continuing education in forestry computer application.

PUBLIC RELATIONS

A full colour information brochure is available at various Park locations and is distributed from Authority offices in Huntsville and Pembroke.

Speaking engagements and lectures by staff as well as conducted field tours informed a variety of groups on integrated resource management in Algonquin



ADMINISTRATION

The Huntsville office was moved to larger leased quarters at 222 Main Street West. Computer equipment was installed in the Huntsville and Pembroke offices. A number of commercial applications are operational on packaged software and development of custom software is at the testing stage.

FORECAST 1984 - 85

Duration of the improved state of softwood and hardwood lumber markets will depend on interest rate levels. The current trend towards higher rates will curtail lumber demand. Pulp and paper demand is strengthening, however an over-supply of local raw material and closure of a local chip producer will prevent any significant improvement in pulpwood production.

Two client mills are installing small and short log sawing equipment. Successful operation of this equipment will strengthen demand for low quality sawlogs.

Logging production of 444,000 m3 is planned, up 35,000 m3 or 9% over last year. Most of the forecast increase is in hardwood sawlogs. Blowdown salvage will be completed and will account for 90,000 m3 of the total.

Loss of natural seed source on the most severely affected blowdown area will require artificial regeneration. Surveys planned for spring and fall 1984 will identify requirements. An initial planting of 340,000 white pine container seedlings will be done in the summer of 1984.

Tree marking will decline to 12,000 ha by virtue of the high level of blowdown salvage.

Sales are forecast at $9.5 million. The extraordinary earnings resulting from blowdown salvage will be entirely re-invested in road construction and improvement where planned expenditures are $285,000. The net result will bring financial results close to a break-even position.

There will be a significant move towards self-funding of forest management with 84% of the $1.11 million expense being recovered from retained stumpage leaving 16% to be funded by the Ministry of Natural Resources.

Algonquin Forestry Authority

(Incorporated without share capital under the Algonquin Forestry Authority Act)

BALANCE SHEET AS AT MARCH 31, 1984

ASSETS	1984 $	1983 $
Current Assets		
Cash	—	10,553
Accounts receivable	1,053,262	706,402
Inventory	62,250	40,804
Prepaid	1,313	914
	1,116,825	758,673
Fixed (note 3)	305,902	248,325
Deferred charge	120,650	128,191
	1,543,377	1,135,189

LIABILITIES AND SURPLUS

Current Liabilities		
Bank overdraft	50,388	—
Accounts payable and accrued liabilities	553,278	334,781
Contractors' performance holdbacks	87,883	52,742
Term loans, Province of Ontario	54,606	266,585
	746,155	654,108
Deferred credit (note 5)	35,278	—
Surplus	761,944	481,081
	1,543,377	1,135,189

See accompanying notes to financial statements.

On behalf of the Board:

B. A. Reynolds
Director

Frank Parrott
Director

Algonquin Forestry Authority

STATEMENT OF OPERATIONS FOR THE YEAR ENDED MARCH 31, 1984

	1984 $	1983 $
Revenue		
Product sales (note 4)	8,140,299	6,031,694
Standing timber sales	636,508	644,189
Tree marking revenue (note 2)	—	69,018
Other	27,001	17,514
	8,803,808	6,762,415
Expenditure		
Operating - direct		
Logging and distribution costs	6,529,342	4,919,304
Crown timber stumpage charges	952,745	823,232
Tree marking (note 2)	—	52,550
Scaling (note 2)	—	37,351
Operations planning	47,528	20,318
Road maintenance	26,108	17,095
Area charges	9,165	8,143
	7,564,888	5,877,993
Operating income	1,238,920	884,422
Administrative - indirect operating and other		
Salaries and benefits	595,486	569,822
Depreciation and amortization	78,050	67,380
Vehicle operating	53,582	40,980
Office supplies and expenses	50,770	32,216
Interest	37,130	71,586
Consulting	30,723	8,013
Office rent	25,079	28,551
Directors' allowances and expenses	23,748	28,779
Staff travel	9,882	6,610
Public relations	7,255	4,218
Insurance	7,214	5,133
Technical supplies	7,176	8,099
Bad debt expense	6,477	323
Staff training	4,515	4,047
Staff recruitment and relocation	2,401	3,455
Legal	2,381	1,780
	941,869	880,992
Net income for the year (note 4)	297,051	3,430
Loss for the year - Forest Management Undertaking (Schedule)	(16,188)	—

See accompanying notes to financial statements.

Algonquin Forestry Authority

STATEMENT OF SURPLUS FOR THE YEAR ENDED MARCH 31, 1984

	1984 $	1983 $
Algonquin Forestry Authority		
Surplus, beginning of year	481,081	477,651
Net income for the year	297,051	3,430
Balance, end of year	778,132	481,081
Forest Management Undertaking (note 2)		
Unappropriated Surplus, beginning of year	—	
Net loss for the year	(16,188)	
Appropriated for replacement of fixed assets	(17,662)	
Unappropriated surplus (deficit), end of year	(33,850)	—
Appropriated surplus, beginning of year	—	
Appropriated for replacement of fixed assets	17,662	
Appropriated surplus, end of year	17,662	
Balance, end of year	(16,188)	—
Surplus, end of year	761,944	481,081

See accompanying notes to financial statements.

Algonquin Forestry Authority

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED MARCH 31, 1984

	1984 $	1983 $
Source of working capital		
Net income (loss) for the year:		
Algonquin Forestry Authority	297,051	3,430
Forest Management Undertaking	(16,188)	—
Add item not requiring outlay of working capital - depreciation and amortization	78,050	67,380
	358,913	70,810
Forest management grant - capital	242,689	—
Proceeds from disposal of fixed assets	3,994	7,560
	605,596	78,370
Use of working capital		
Purchase of fixed assets	339,491	64,908
Increase in working capital	266,105	13,462
Working capital, beginning of year	104,565	91,103
Working capital, end of year	370,670	104,565

See accompanying notes to financial statements.

Algonquin Forestry Authority

FOREST MANAGEMENT UNDERTAKING FOR THE YEAR ENDED MARCH 31, 1984 (NOTE 2)

	1984 $
Revenue	
Operating grant	963,960
Start up grant	33,327
	997,287
Expenditures	
Direct expenditure	
Wages and benefits	404,778
Heavy equipment rental	191,383
Paint	71,438
Salt and calcium	52,023
Sub contractors - tree marking	37,155
Board and provisions	16,847
Scaling charges	1,808
	775,432
Indirect expenditure	
Salaries and benefits	102,368
Vehicle costs	40,984
Equipment rental	23,520
Technical supplies	18,864
Staff training	2,629
	188,365
	963,797
Operating Income	33,490
Administrative	
Staff recruitment and relocation	13,003
Consulting fees	12,500
Wages and benefits	8,223
Insurance	4,247
Staff travel and training	4,166
Office expense	4,139
Office rent	3,400
	49,678
Loss	(16,188)

See accompanying notes to financial statements.

Algonquin Forestry Authority

NOTES TO FINANCIAL STATEMENTS MARCH 31, 1984

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Inventory
Inventory is stated at the lower of cost and net realizable value.

(b) Depreciation and amortization of fixed assets
Depreciation is provided for on the straight line method, generally using rates of 10 per cent per annum for furniture, fixtures, technical equipment, buildings and structures, 20 per cent per annum for data processing equipment and 33⅓ per cent per annum for automotive equipment. The cost of capital roads is amortized over the estimated number of operating seasons for which the roads are to be used, with a maximum amortization period of ten years.

(c) Deferred charge
Certain costs incurred in the development of a comprehensive forest management plan applicable to the period April 1, 1980 to March 31, 2000 were deferred and are being amortized on a straight line basis over 20 years.

2. FOREST MANAGEMENT UNDERTAKING

Effective April 1, 1983, the Authority undertook certain forest and land management activities formerly carried out by the Ministry of Natural Resources. Expenditures related to the start up of the Forest Management Undertaking and ongoing capital and operating costs were primarily funded by grants from the Ministry of Natural Resources.

3. FIXED ASSETS

Fixed assets in service are stated at cost and consist of:

	1984		1983	
	Cost	Accumulated Depreciation and Amortization	Cost	Accumulated Depreciation and Amortization
	$	$	$	$
Furniture and fixtures	40,833	19,276	33,405	15,781
Data processing	34,562	3,186	—	—
Technical equipment	12,331	5,267	11,403	4,070
Automotive equipment	95,248	72,099	91,237	60,541
Buildings and structures	13,961	8,673	13,461	7,294
Capital roads	463,934	246,466	392,874	206,369
Forest Management Undertaking (note 7)	207,411	—	—	—
	868,280	354,967	542,380	294,055
Forest Management Undertaking grant	(207,411)		—	
	660,869		542,380	
	(354,967)		(294,055)	
	305,902		248,325	

4. UNUSUAL EVENT

In August 1983, a strong wind blew down timber in an area of Algonquin Park. The Authority has been attempting to salvage this timber as quickly as possible to minimize decay and quality decline caused by insects and fungi. During the year, product sales of blowdown wood were $2,137,000. Salvage operations will be continuing into fiscal 1984-85 and it is anticipated that sales of blowndown wood for the year ended March 31, 1985 will be approximately $2,500,000.

5. DEFERRED CREDIT

The Ministry of Natural Resources has contributed $242,689 for capital expenditures relating to the Forest Management Understanding of which $35,278 had not been spent as at March 31, 1984 and is therefore recorded as a deferred credit.

6. COMMITMENTS

The Authority rents premises under two leases which expire on November 30, 1985 and February 28, 1989. The current annual rent, excluding escalation costs, under these leases is $5,000 and $27,600 respectively.

7. CONTINGENT LIABILITY

The Memorandum of Understanding signed between the Minister of Natural Resources and the Authority specifies that all equipment purchased for the exclusive purposes of the Forest Management Undertaking funded by the Ministry will revert to the Ministry in the event the Undertaking is terminated. The cost of such equipment was $169,900 as of March 31, 1984.

8. COMPARATIVE FIGURES

Comparative figures have been reclassified where necessary to conform with 1984 presentation.

Ontario

Office of the Provincial Auditor

Parliaments Buildings, Queen's Park, Toronto Ontario M7A 1A2 416/965-1381

To the Members, Algonquin Forestry Authority, and
to the Minister of Natural Resources.

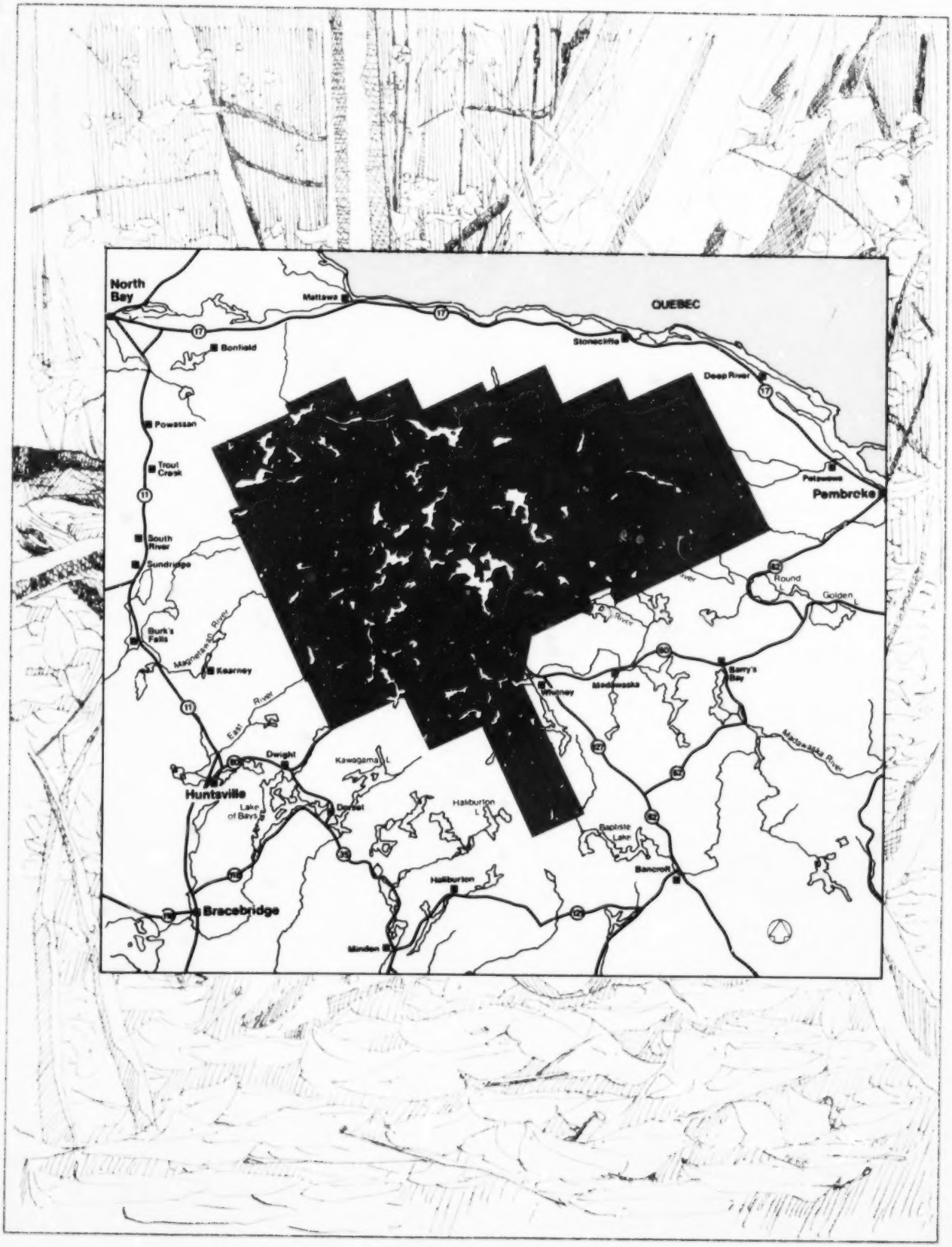
I have examined the balance sheet of the Algonquin Forestry Authority as at March 31, 1984 and the statements of revenue and expenditure, surplus, and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Authority as at March 31, 1984 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

In accordance with section 18 of the Algonquin Forestry Authority Act, a report on the audit has been made to the Authority and to the Minister.

D.F. Archer, F.C.A.,
Provincial Auditor.

Toronto, Ontario,
June 10, 1984


North Bay
Mattawa
OUEBEC
Stonecliffe
Deep River
Bonfield
Powassan
Trout Creek
Petawawa
Pembroke
South River
Sundridge
Round L.
Golden L.
Burk's Falls
Magnetawan River
Kearney
Madawaska
Barry's Bay
East River
Dwight
Kawagama L.
Huntsville
Lake of Bays
Dorset
Haliburton L.
Baptiste Lake
Bancroft
Haliburton
Bracebridge
Minden

Algonquin Forestry Authority

P.O. Box 1198, Huntsville, Ont. P0A 1K0

POOR

QUALITY

ORIGINAL